

ANALYSIS OF ORIGINAL BILL

Franchise Tax Board

Author: Comm. On Aging, et al. Analyst: Kristina E. North Bill Number: AB 1697
Related Bills: SB 1447(Ch. 494, Stats. 1996) Telephone: 845-6978 Introduced Date: April 5, 1999
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: California Fund For Senior Citizens/Eliminates Sunset Date

SUMMARY

Under the Administration of Franchise and Income Tax Law, this bill would eliminate the sunset date for the California Fund For Senior Citizens and would require the fund to meet the minimum contribution amount.

EFFECTIVE DATE

This bill would be effective for taxable years beginning on or after January 1, 2000.

BACKGROUND

Twelve voluntary contribution funds appeared on the 1998 state tax return. Total contributions to funds have declined from approximately \$3.4 million in 1989/90 to approximately \$2.6 million in 1997/98. The number of individuals contributing (first tabulated in 1993) remains fairly constant at 140,000 to 150,000, or slightly more than 1% of all taxpayers.

The California Fund For Senior Citizens was first enacted in 1983 and was first available for contribution on the 1983 tax return filed in 1984. It will sunset on January 1, 2000, and will last appear on returns for the 1999 taxable year filed in 2000. This fund received approximately \$189,521 from contributions on 1997 tax returns.

SPECIFIC FINDINGS

Current federal law provides a true check-off to direct \$3 of a taxpayer's tax liability to the presidential election fund. Designation of the \$3 amount does not affect the amount of tax paid or the refund received by the taxpayer.

Current state law allows taxpayers to make contributions of their own funds (not tax liability) on their tax returns to the 12 voluntary contribution funds listed on the state tax return. Each fund provides for the reimbursement of the Franchise Tax Board's and Controller's costs to administer the fund.

Current state law specifies how contributions to each fund may be used. Contributions to the California Fund For Senior Citizens are allocated for conducting sessions of the California Senior Legislature (CSL), for the CSL to use for its activities on behalf of older persons, and to the Commission on Aging for senior citizen direct-service programs.

Board Position:

_____ S	_____ NA	_____ NP
_____ SA	_____ O	_____ NAR
_____ N	_____ OUA	_____ <u>X</u> PENDING

Department Director

Date

Gerald Goldberg

5/3/1999

Except for the California Seniors Special Fund, which has no sunset date, the voluntary contribution funds have various sunset dates. Attachment I shows the specific sunset dates for each voluntary contribution fund and indicates those funds which must meet a minimum contribution test (an indexed \$250,000) to remain on the return. Attachment II is a chart indicating the number of contributions and contribution amounts for eight fiscal years.

Current state law provides that if its repeal date is deleted, the California Fund For Senior Citizens would be required to meet the minimum contribution amount of \$250,000.

This bill would eliminate the sunset date of the California Fund For Senior Citizens. Thus, this fund could appear on income tax returns indefinitely, instead of last appearing the 1999 return, provided it meets the minimum contribution amount.

This bill also would, beginning after January 1, 2000, require the California Fund For Senior Citizens to meet the minimum contribution amount of approximately \$300,000 (\$250,000 as adjusted for inflation since 1992) to remain on the tax return.

Policy Considerations

The placement of voluntary contribution funds on the tax return limits the amount of space available for tax-related items. The inclusion of non-tax related information may ultimately impair tax collection and reduce administrative efficiency.

Since the fund only received \$189,521 on 1997 tax returns, if substantial additional contributions are not received, this bill would have the same effect as the current law sunset date by dropping the fund from the tax return after the 1999 tax year.

Author's staff and sponsor have indicated that they intended that the \$250,000 threshold apply to the 1999 tax year and not the indexed amount. However, they did not determine in which year the indexing should begin, thus, further amendments are necessary.

Implementation Considerations

The implementation of this bill would not significantly impact this department.

Technical Considerations

Amendment 1 would make a technical change to reference the correct subdivision.

Departmental Costs

This bill would not significantly impact the department's costs.

Tax Revenue Estimate

If the minimum level of contributions is achieved each year, potential revenue losses from this bill would be very minor, on the order of \$15,000 annually, beginning with fiscal year 2001/2002 as a result of itemized deductions for the contributions.

Any possible changes in employment, personal income, or gross state product that might result from this bill are not taken into account.

Tax Revenue Discussion

According to departmental data, the amount of contributions to the California Fund for Senior Citizens was \$189,521 for fiscal year 1997/1998, with an average \$4.60 per individual contribution.

Assuming contributions equal or exceed the minimum contribution threshold and all contributors itemize deductions and make no reductions in other charitable contributions, the annual revenue loss would be on the order of \$15,000 by applying an average marginal tax rate of 6%.

BOARD POSITION

Pending.

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FRANCHISE TAX BOARD'S
PROPOSED AMENDMENTS TO AB 1697
As Introduced April 5, 1999

AMENDMENT 1

On page 2, line 23, strikeout "(b)" and insert:

(a)